

AMENDED IN ASSEMBLY JUNE 13, 2012

SENATE BILL

No. 1031

Introduced by Committee on Budget and Fiscal Review

February 6, 2012

An act relating to the Budget Act of 2012. An act to amend Section 12975.9 of the Insurance Code, relating to seismic safety, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1031, as amended, Committee on Budget and Fiscal Review.
~~Budget Act of 2012. Seismic Safety Account: funding.~~

Existing law establishes the Seismic Safety Commission to perform specified duties relating to earthquake hazard reduction and other seismic safety issues. Existing law also provides for the Seismic Safety Account within the Insurance Fund. Money in the account may be appropriated by the Legislature to fund the Seismic Safety Commission and certain administrative costs incurred by the Department of Insurance. Existing law provides for assessments levied against certain insurers to be deposited in the Seismic Safety Account. Under existing law, the provisions establishing the Seismic Safety Account and authorizing these assessments expire on July 1, 2012.

This bill would require the department, instead, to calculate an annual assessment to be charged to each commercial and residential property exposure in an amount set annually by the department based on specified factors, including the amount required for the support of the Seismic Safety Commission and the collection and administrative costs of the department, not to exceed \$0.15 per property exposure. The bill would require the insurer to collect the assessment and remit it to the department unless the insurer elects to pay the assessment on the

insured's behalf. The bill would extend the operation of these provisions indefinitely.

This bill would declare that it is to take effect immediately as an urgency statute.

This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2012.

Vote: majority ²/₃. Appropriation: no. Fiscal committee: ~~no~~-yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 12975.9 of the Insurance Code is amended*
2 *to read:*
3 12975.9. (a) The Seismic Safety Account is hereby created as
4 a special account within the Insurance Fund. Money in the account
5 may be appropriated by the Legislature for the purposes of this
6 section to fund the department and the Seismic Safety Commission.
7 ~~Assessments imposed on insurers as a prorated percentage of~~
8 ~~premiums earned on property exposures for both commercial and~~
9 ~~residential insurance policies relative to the aggregate premiums~~
10 ~~earned on those exposures by all insurers shall be deposited in the~~
11 ~~account. The premiums earned for property exposures shall be as~~
12 ~~stated on lines 4 and 5.1 of the annual statement filed by each~~
13 ~~insurer pursuant to Section 900. The assessments shall be set~~
14 ~~annually based on earned premiums reported for the next preceding~~
15 ~~year by the department and calculated so that the funds in the~~
16 ~~account shall be sufficient to fund appropriations for support of~~
17 ~~the Seismic Safety Commission, for the actual collection and~~
18 ~~administrative costs of the department, and for the maintenance~~
19 ~~of an adequate reserve. The department shall submit the proposed~~
20 ~~assessments to the Seismic Safety Commission for its review at a~~
21 ~~regularly scheduled meeting of the commission. The department~~
22 ~~shall calculate an annual assessment to be charged to each~~
23 ~~commercial and residential property exposure. The assessment~~
24 ~~shall be set annually based on the number of property exposures~~
25 ~~from both commercial and residential insurance policies, the~~
26 ~~amount required for the support of the Seismic Safety Commission,~~
27 ~~the actual collection and administrative costs of the department,~~
28 ~~and for the maintenance of an adequate reserve. The annual~~

1 *assessment shall not exceed fifteen cents (\$0.15) per property*
2 *exposure.*

3 ~~(b) No assessment shall be levied on insurers with less than one~~
4 ~~hundred thousand dollars (\$100,000) of annual direct premiums~~
5 ~~earned on property exposures for both commercial and residential~~
6 ~~insurance policies. The department may adjust this amount as~~
7 ~~necessary to minimize costs by excluding assessment amounts that~~
8 ~~are too small to justify the cost of assessment and collection or if~~
9 ~~assessment or collection is impractical.~~

10 ~~(e)~~
11 ~~(b) An insurer, in its discretion, may shall recover this~~
12 ~~assessment in an equitable fashion from the insured unless the~~
13 ~~insurer elects to pay the assessment on the insured's behalf. The~~
14 ~~insurer, upon receipt of an invoice, shall transmit payment to the~~
15 ~~department for deposit in the Seismic Safety Account. Any~~
16 ~~deficiency or excess in the amount collected in relation to the~~
17 ~~appropriation authority for the commission and the department~~
18 ~~shall be accounted for in the subsequent annual fee calculation.~~
19 ~~Any balance remaining in the Seismic Safety Account at the end~~
20 ~~of the fiscal year shall be retained in the account and carried~~
21 ~~forward to the next fiscal year.~~

22 ~~(d)~~
23 ~~(c) Funds in the Seismic Safety Account shall be distributed,~~
24 ~~upon appropriation, to the Seismic Safety Commission for the~~
25 ~~support of the commission and to the department for the actual~~
26 ~~administrative costs incurred in collecting the assessments.~~

27 ~~(e)~~
28 ~~(d) The department shall report annually to the Legislature, the~~
29 ~~Seismic Safety Commission, and the Department of Finance on~~
30 ~~the assessment calculation methodology employed.~~

31 ~~(f) This section shall become inoperative on July 1, 2012, and,~~
32 ~~as of January 1, 2013, is repealed, unless a later enacted statute,~~
33 ~~that becomes operative on or before January 1, 2013, deletes or~~
34 ~~extends the dates on which it becomes inoperative and is repealed.~~

35 *SEC. 2. This act is an urgency statute necessary for the*
36 *immediate preservation of the public peace, health, or safety within*
37 *the meaning of Article IV of the Constitution and shall go into*
38 *immediate effect. The facts constituting the necessity are:*

1 *In order to continue to provide programs for seismic safety and*
2 *to provide guidance for earthquake preparedness at the earliest*
3 *possible time, it is necessary that this bill take effect immediately.*

4 ~~SECTION 1. It is the intent of the Legislature to enact statutory~~
5 ~~changes relating to the Budget Act of 2012.~~